



South Carolina Budget & Control Board
Office of Insurance Services
Research & Statistics Unit

SPECIAL REPORT

February 2000

STATE HEALTH PLAN YEAR 2000 RATES FROM ACROSS THE NATION

Purpose

The South Carolina Budget and Control Board's Office of Insurance Services annually conducts a survey of each state's most-populated non-HMO plan among options offered to state employees (see page 4). Information was gathered on the plan in each state which was most similar to the State Health Plan - Standard Plan. The following report is the result of the comparative analysis of each state's rates in effect January 1, 2000.

Methodology

The State Health Plan (SHP) operates under a "four-tier" structure, which means that contributions vary according to four different levels of coverage: Employee Only, Employee / Spouse, Employee / Children, and Full Family. Many states use a two-, three-, or four-tier premium structure. A two-tier structure is defined primarily as one entailing Employee Only and Employee + Dependent coverage levels; a three-tier structure entails Employee Only, Employee / Dependent, and Full Family coverage.

The premium structure has a significant impact on the contribution levels. In the case of a two-tier structure, the plan is typically spreading the cost of dependent coverage across all employees with dependents which results in employees covering only a spouse or dependents paying higher rates than an equivalently-priced plan with a four-tier structure.

For the purpose of this analysis, a composite employer, employee, and total contribution rate was calculated for each state. The composite rates were calculated by using the percentage of employees with each coverage level in South Carolina, and applying those percentages to the rates for those coverage levels in each state. The percentages for

each coverage level, as of October, 1999 are as follows:

Employee Only	.529940913
Employee / Spouse	.102408822
Employee / Children	.218148935
Full Family	.149501328

The resulting composite rate for South Carolina and other states' rates is calculated as follows:

Four-tier:

(EO rate X .529940913) + (E / S rate X .102408822) + (E / C rate X .218148935) + (FF rate X .149501328)

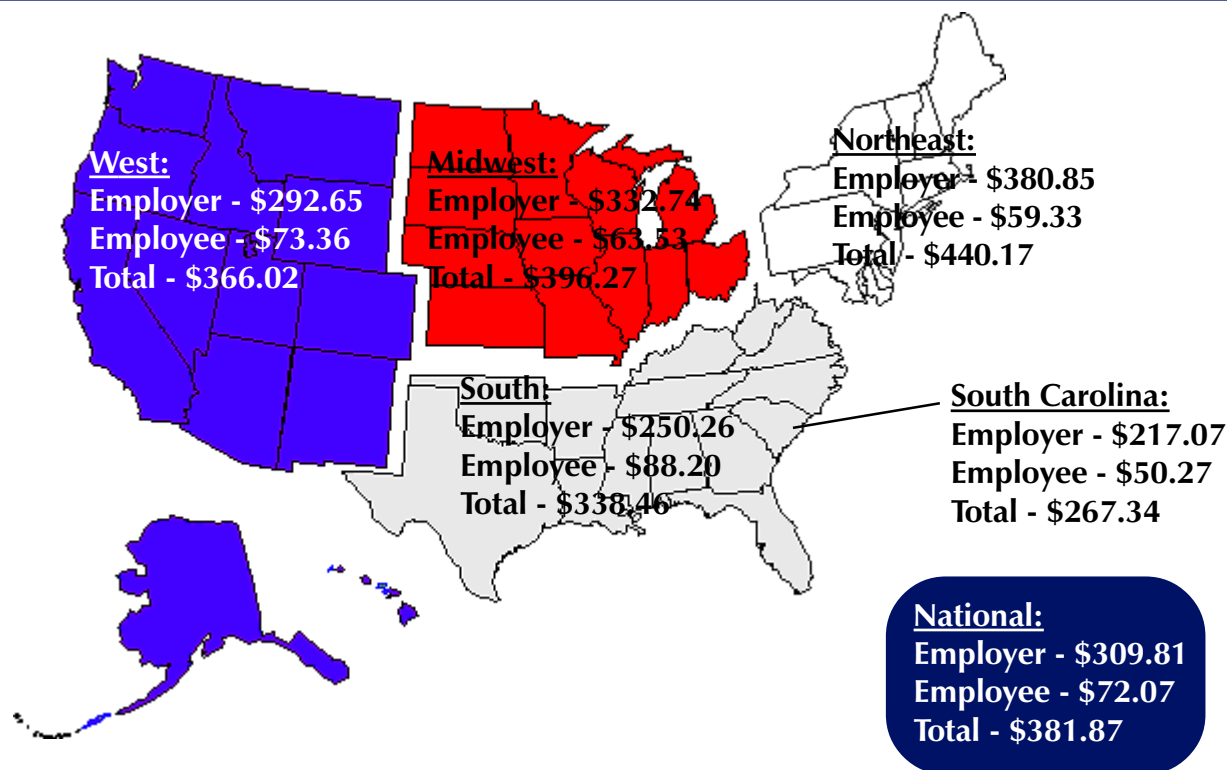
Three tier:

(EO rate X .529940913) + (E+1 rate X .320557757 [from .102408822 + .218148935]) + (FF rate X .149501328)

Two tier:

(EO rate X .529940913) + (E+D rate X .470059085 [from .102408822+.218148935+.149501328])

2000 State Employee Health Plan Composite Premiums for Indemnity Plans, by Regional Averages



Findings

The State Health Plan's (SHP) composite *total* premium was only 70 percent of the national average and ranked 47th out of the 50 state employee health plans. The SHP's composite *total* premium was \$267.34 while the national average was \$381.87.

Among southern states, the SHP's composite *total* premium ranked 13th out of 14, comprising 79 percent of the \$338.46 southern average.

South Carolina's composite *employer* premium of \$217.07 ranked 41st nationally and was 70 percent of the national average of \$309.81. Among southern states, it ranked 9 out of 14 and was 86.7 percent of the southern states average composite premium of \$250.26.

South Carolina's composite *employee* premium of \$50.27 ranked 34th nationally (69.8 percent of the \$72.07 national average) and 13th in the South (57 percent of the \$88.20 southern average).

2000 South Carolina State Health Plan Premiums

	<u>Employer</u>	<u>Employee (Standard)</u>	<u>Total Rate</u>
Employee	\$165.05	\$ 14.72	\$179.77
Employee/Spouse	\$279.96	\$ 97.02	\$376.98
Employee/Child(ren)	\$231.49	\$ 51.74	\$283.23
Full Family	\$337.37	\$142.12	\$479.49
Composite Rate	\$217.07	\$ 50.27	\$267.34

Regional Results

Of the four U.S. regions (Northeast, South, Midwest and West), the Northeast region had the highest regional composite *total* premium rates. The Northeast region's composite premium of \$440.17 was 15.3 percent higher than the national average and up 11.3 percent from 1999.

The Midwest region had the second highest composite *total* premium (\$396.27) and the second

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largest percentage increase in composite *total* premium rates from 1999 (12.1 percent).

The Northeast region had the highest composite *employer* premiums with \$380.85. The South region had the lowest regional composite *employer* rate with \$250.26.

The South region's \$88.20 composite *employee* premium rate is the highest regional rate in the nation. The Northeast region had the lowest composite *employee* rate with \$59.33.

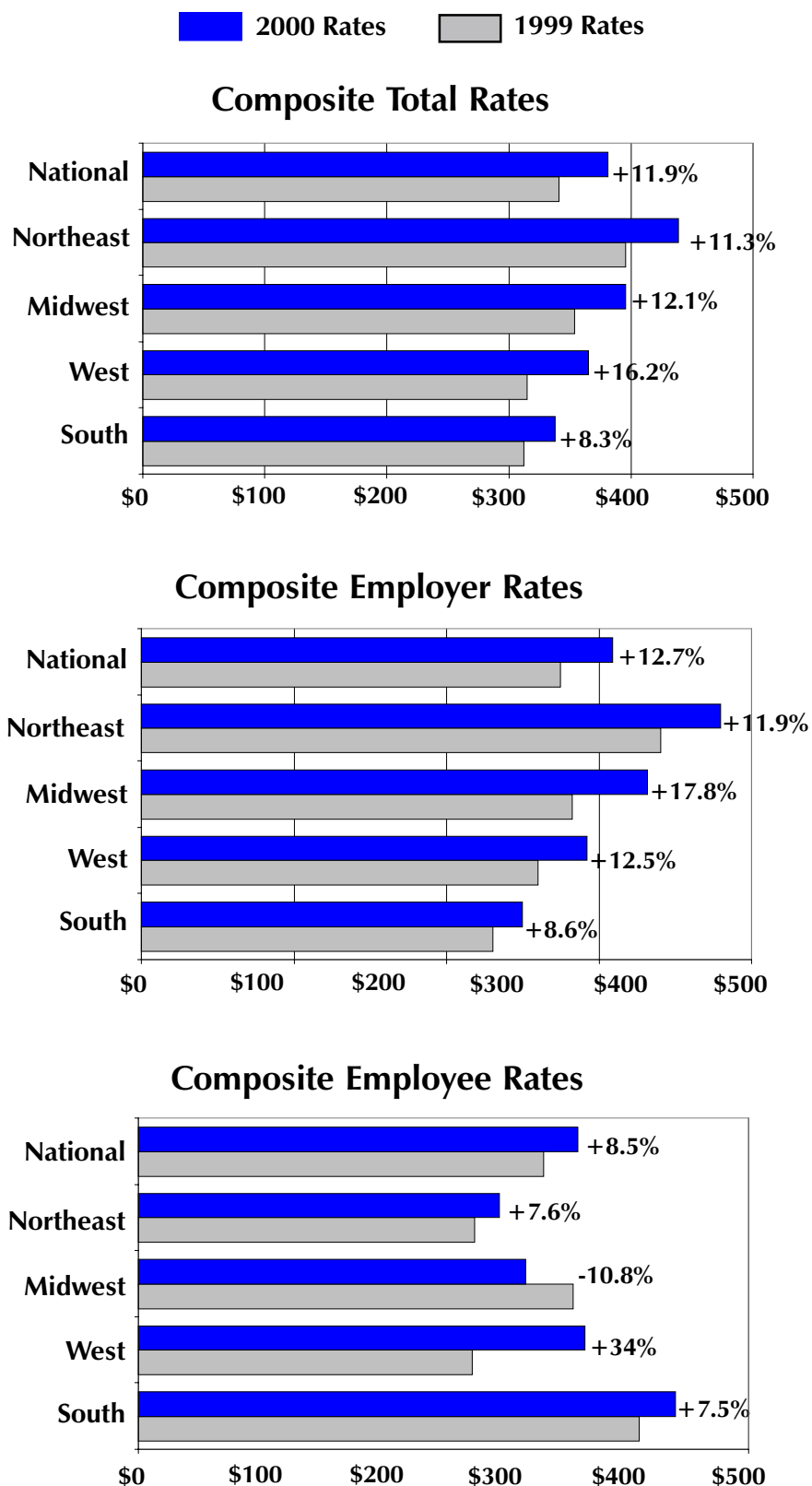
National Trends

Overall, *total* premiums increased by 11.9 percent from the 1999 levels. In 2000, *employer* contribution growth (up 12.7 percent from 1999) exceeded *employee* contribution growth (up 8.5 percent from 1999). However, from 1996 to 2000, *employer* contributions rose 27.3 percent while *employee* contributions only increased 15.4 percent. *Total* contributions grew 24.9 percent from 1996 to 2000.

Conclusion

South Carolina's contribution rates continue to fall below national and regional averages. While employee contributions remained steady for 2000, the state's composite *employer* contribution rose 10 percent. Despite of the increase, the *employer* contribution continued to rank 41st in the nation and was only 70 percent of the national average compared to 71.9 percent in 1999.

Comparison of 2000 and 1999 Regional Averages for State Employee Indemnity Health Plans



APPENDIX A

Survey of State Employee Health Insurance Plans

1. What type of structure does your state use to categorize active employee subscribers into different premium groups? (2-tier, 3-tier, or 4-tier)
For example: Subscriber only; Subscriber and Spouse; Subscriber and Children; Full Family
2. What are your indemnity plan's rates as of January 1, 2000 (or, if unavailable, the current rates for each of these different groups? (Please include employer and employee rates)

What is the date these rates will be effective?

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